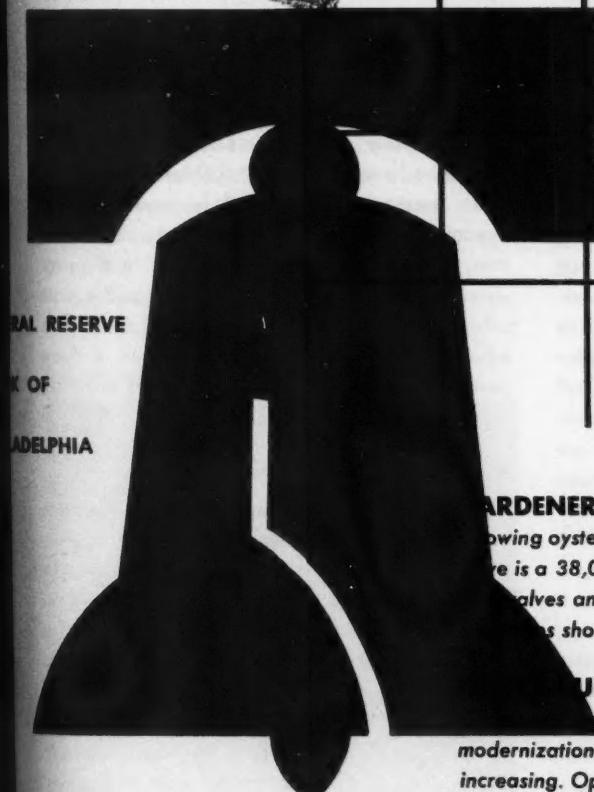


DECEMBER 1953

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MONEY, BANKING,
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business review



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GARDENERS OF THE SEA

Raising oysters is like gardening—under the sea. Maurice River
there is a 38,000-acre oyster reservation. It yields a \$3 million crop
of oysters annually. Cleaning up the Delaware and its
rivers should reverse the down-trend of oyster production.

BUILDING SPACE IN PHILADELPHIA

Space remains high; rental trends are firm; and
modernization programs in downtown office buildings are
increasing. Opinions differ on the extent of decentralization.

CURRENT TRENDS

Department stores seem likely to have a good Christmas season.

GARDENERS OF THE SEA



Growing oysters is like gardening. First the "soil," which is under the sea, must be prepared; then the oyster seed must be planted; and, for best results, oysters must be transplanted. Rakes and shovels are common tools of the trade. Unlike the tiller of the soil, however, the tiller of the sea also needs a boat. Like gardeners of the land, gardeners of the sea must be forever on guard against predators. The crop makes a most succulent dish—if you like oysters.

What peculiar fish oysters are! They swim without a fin, walk on one foot, change their sex, live a sedentary but sociable life. Endowed with a higher I.Q. than the clam, the oyster, nevertheless, just sits and eats. All it does is ward off enemies, pump water, and eat until it is eaten. Oysters not gobbled up by marauders of the sea grow to maturity in about three years, and then they are gobbled up by that voracious land enemy that walks on two prongs—man. What the oyster thinks might be what Leigh Hunt's fish thought about man:

"With a split body and most ridiculous pace,
Prong after prong, disgracer of all grace,
Long-useless-finned, haired, upright, unwet,
slow!"

38,000 acres under the sea

Look at the map of south Jersey. A straight line from Cape May Point northwestward to Egg Island Point encloses a sort of half-moon section

of Delaware Bay into which the Maurice River (pronounced Morris) wriggles out of the southwestern New Jersey flats. In this section of the bay are 38,000 acres of oyster grounds—the famous Maurice River Cove, always under water, never without oysters. Just a short way up the Maurice River is Bivalve, a small Cumberland County community of about 350 inhabitants who make oystering their living. It is a community of captains, cooks, and canners; boats, bushel baskets, and barrels; oyster shells, ice, and more oyster shells. It has charm, history, and a post office. As you might expect, Bivalve also has a laboratory for bivalves. Shells reflect a long past, a laboratory for oyster bivalves suggests a promising future.

Oystering in the Cove

The best way to the oyster gardens of Delaware Bay is to go by boat out of Bivalve, as we did. The day dawned swathed in mist which the sun quickly penetrated and soon the sky was clear. Our "Down East schooner" was manned by a captain with a crew of three or four, including a cook, and ten or twelve oystermen to do the "harvesting," and the captain's dog who objected to sea gulls perching on the masts. Receding from the forest of masts studding the sky over the harbor of Bivalve, we cruised leisurely down Maurice River on a low throttle. The water heaved with a perceptible swell, and scarcely beyond the en-

trance to the bay we were met by the ever-present winged pilots, the sea gulls, who accompanied us to our destination. We headed for oyster ground number 363, where an oyster schooner was dredging—a fact confirmed by the captain over marine telephone.

En route, we passed numerous oyster tongers. Tonging is adapted to shoal areas and to natural beds where dredging is not allowed. Tongers are oyster men who operate alone or in pairs—one to man the oars of the skiff especially designed for oystering and called a deadriser, and the other to man the tongs. Grappling for oysters is done with long-handled tongs consisting of two poles (12 to 20 feet long) crossed in scissors fashion with an iron rake about three feet wide at the end of each pole, arranged so as to form a basket when brought together. A good tonger operating over a good shoal may harvest 20 to 30 bushels of oysters a day.

Approaching the wider reaches of the bay, on a higher throttle, we saw at a distance a line of

DELAWARE BAY OYSTER GROUNDS



oak saplings about four or five "chains" apart, each sapling protruding 8 to 10 feet above the water. All branches had been neatly trimmed off except for a cluster at the top. After some more pitching and rolling, we approached a wilderness of saplings which the captain described as "corner stakes"—marine fenceposts, so to speak, outlining the corners of each oyster gardener's acreage.

Turning the wheel over to his son, the captain took us into his cabin and opened a map of the oyster grounds. The map bore a subscript, "New Jersey Department of Conservation and Economic Development, Division of Shell Fisheries." It looked like a map of a real-estate development not too carefully laid out—a crazy quilt of odd shapes and irregular sizes full of numbers, all of which meant something to the trained eye (acreage, degrees, minutes, and seconds). Oyster farms vary in size from 8 or 10 acres to several hundred acres. After a squall or heavy ice on the river, said the captain, all these markers may be blown or washed away and the Division of Shell Fisheries has a big surveying job to reestablish the "fenceposts." The captain returned to his wheel, raised the throttle, and soon we were on top of farm number 363.

Dredging

Pulling alongside the oyster schooner (a two-master about 100 feet from stem to stern), we scrambled aboard. The oyster dredge is a harrow with a toothed bar supported by a triangular steel frame to which is attached a bag made of iron rings and links. The dredge drags bottom as the schooner moves very slowly and when the dredge is full it is raised with a power winch and the haul is spilled on the deck. First to emerge from the pile of oysters, shells, and general bay-bottom debris are the crabs. They start off briskly for quarters

unknown as if to say, "This is no place for us." The crayfish lift up their arms in helpless distress. The oysters are picked out of the muck by a busy crew of sorters and cast on the oyster pile. All of the refuse is then shoveled overboard.

While the starboard dredge is unloading, the larboard dredge is dragging bottom. All afternoon schooners returned to Bivalve loaded with oyster piles ranging from several hundred bushels to as much as 3500 bushels when fully laden with a bumper harvest. At \$4 a bushel delivered to the canneries at Bivalve, it looks like easy money; but don't make immediate application for a dredger's license—oystering is like gardening, and gardening is not all harvesting.

Shucking and canning

Oysters for the hotel and restaurant trade go to market in their shells, but most Bivalve oysters are shucked and canned in one of the dozen canneries in the area.

The outside of the cannery has a wharf to receive oysters from the schooners, a shipping platform to load the ice-packed barrels of canned oysters for market, and piles of oyster shells. The inside of a cannery is a clatter and a clutter of shells and shells and shells. Rows of shuckers in little open booths—knives busily prying open the bivalves—oyster meats flipping into the pots—shells dropping on the floor—wheelers delivering oysters to the shuckers—shuckers shucking themselves into a barricade of shells, and wheelers wheeling the shells out onto the ever-growing shell pile.

When the shucker delivers a pot full of oyster meats they are dumped into a shallow stainless steel receptacle called a skimmer which has a perforated bottom to drain off the liquor. The operator (also called a skimmer) measures out a gallon of oyster meats and enters a mark on the

tally sheet to the credit of the shucker, for he is paid on a piece-work basis. With the aid of a colander the oysters are transferred to the blower (a huge stainless steel tank supplied with a continuous stream of cold water from one of the three wells that go down 265 feet). Air is blown up through the tank to tumble the oyster meats about in the water, and so the salt, slime, and sand are washed away; then into the cans bearing the shucker's license number and the distributor's trademark. Cans come in various sizes—gallon, quart, pint, or half pint. The cans of oysters are packed with shaved ice into barrels which are covered with canvas tops, and the barrels are rolled out to the shipping platform where trucks from New York, Philadelphia, or Detroit are waiting impatiently.

BIOGRAPHY OF AN OYSTER

As shellfish, oysters reproduce like fish. Mating, if it may be called that, takes place when water temperature, salinity, turbidity, stage of tide, and purity of water are most favorable.

Spawning

In Delaware Bay, female oysters are "ripe" for reproduction or "in milk," as oystermen say, about the first of May. When the water temperature reaches 70 degrees Fahrenheit, which usually occurs about the first of June, the oysters are ready to begin spawning, but the maximum rate of spawning does not take place until the water temperature is 75 to 85 degrees. Under ideal conditions, the female emits clouds of eggs by opening and closing her shell. The water in the immediate surrounding area actually becomes milky white by reason of the profusion of microscopic eggs. At the peak of spawning, the female oyster produces approximately 100,000 eggs at each shell pulsation (which occurs about once

every thirty seconds or so) and the total number of eggs produced by a female ranges from 16 million to 60 million. Simultaneously, the male emits sperm for fertilization. Each sperm is equipped with a whip-like tail enabling it to swim in search of an egg to which it becomes attached. Fertilization takes place within an hour.

Spawning occurs during the late flood tide to good advantage. It assures fertilization of eggs in water of higher density, purer quality, and higher oxygen content than in ebb tide. Also, flood tides carry eggs upstream where their enemies are not so abundant as in the sea.

Larvae

Within the course of a day or so the embryo develops into a larva—a complete little purse-shaped animal having a mouth, gullet, stomach, intestine, liver, pancreas, heart, simple nervous system, and a muscle for closing the shell. Under the microscope, the larva is slightly greyish and almost transparent. Small hair-like cilia on the anterior lash the water, providing locomotion.

During the second week a foot develops which aids the larva to move about in search of a place of permanent attachment. Once the organism is attached somewhere, the foot disappears.

Spat on the clutch

When the larval oyster has found a spot free of mud, slime, or other impurity, it wastes no time in attaching itself and stays attached for good. Almost any object will do—an old boot, a sunken anchor, a clam shell, or an oyster shell. Colonies of attached baby oysters are referred to as spat, and the objects upon which oysters attach themselves are collectively known as clutch. Thus when oystermen speak of a "heavy set" they mean a great profusion of spat on the clutch.

The state of New Jersey requires that the shells

of 40 per cent of the oysters removed from the bay must be turned over to the state for planting clutch. Dredgers buy oyster shells from the canneries to plant clutch, and shells are also in demand by poultrymen for poultry grit, by lime-burners, cement manufacturers and by steelmen who use lime as a flux in their furnaces.

Enemies

The oyster is a peace-loving animal but lives among a host of enemies which he must ward off as best he can. There is little he can do when in the small microscopic larval stage and just another form of plankton to be screened by the gills of fish. As the oyster grows older, his best protection is the calcareous house in which he lives. But that armor is not enough protection against the oyster drill—a hard-shelled snail equipped with a radula similar to a file with which he drills through the shell of the oyster. It is estimated that drills kill a million dollars worth of oysters each year in Delaware Bay. In the absence of oysters, drills drill into each other—almost human!

Public Enemy No. 2 in the oyster kingdom is the starfish. He wraps his arms around the oyster and exerts a steady pull to open the shell. With his adductor muscle, the oyster resists mightily. He can resist a steady pull of over two pounds for better than seventeen days but ultimately

WHEN OYSTERS "R" IN SEASON

Perhaps you have heard it said that oysters are good to eat only in months that have the letter "r," but this is one of those half truths. Oysters, being highly perishable, are naturally more easily delivered to the consumer in fresh condition during the colder months of the year, but if properly iced or refrigerated, good oysters are edible in any month of the year.

the starfish wins the battle and is rewarded with oyster-on-the-half-shell. Not until you have shucked a bushel of oysters will you appreciate the oyster's strength.

Transplanting

Year-old oysters are about the size of a quarter and they usually grow faster and fatter if dredged from their natural seed beds and replanted below the Southwest Line in the growing grounds. (See the accompanying map.) Over-populated clusters of clutch are broken apart in the process of transfer, which affords better facilities for obtaining food and oxygen. Sometimes they are transplanted more than once to give a final fattening —like cattle fattening up in the Corn Belt before marketing. Some Maurice Cove oystermen bring oyster seed up from Virginia.

Oysters feed on diatoms, peridinians (a form of marine microplankton), bacteria, and other microscopic organisms known collectively as plankton, which oysters strain out of the water. To us, the ocean is a great body of water but to oysters and other denizens of the deep the ocean is a great bowl of plankton chowder. As much as 35 quarts of water will pass through the gill chambers of an adult oyster per hour.

Ordinarily, oysters are ready for harvest in three to five years, but earlier cropping is sometimes done by farmers badly in need of cash.

OYSTER ECONOMICS

Land, labor, and capital are the elements of elementary economics. So are they likewise of oyster economics.

Oyster lands

Maurice River Cove yielded 7 million pounds of oyster meat, worth almost \$3,000,000, in 1950—to take a recent year. This, along with the small

OYSTER PRODUCTION IN THE UNITED STATES — 1950

Area	Oyster meats (thous. lb.)	Value (thous. \$)
New England	4,728	1,681
New York	8,787	5,800
Delaware	2,141	912
New Jersey	7,242	2,897
Maryland	14,406	5,221
Virginia	15,548	5,574
North Carolina	1,322	556
South Carolina	1,374	336
Alabama	2,070	534
Louisiana	8,715	2,843
Washington	7,225	1,970
Other states	73,558	28,324
	2,857	1,273
Total United States	76,415	29,597

Source: "Fishing Statistics of the United States, 1950," Fish and Wild-Life Service.

quantities produced along the tidal estuaries of Cape May, Atlantic, Burlington, and Ocean counties, amounted to about one-tenth of the country's oyster harvest.

Across the bay, on the Delaware shoreline, oystering is like that along the Jersey shore. As the table shows, Delaware produces a sizable crop and rates eighth among the country's oyster states.

The Eastern oyster thrives in the in-shore waters of almost the entire Atlantic and Gulf coasts from Wellfleet, Massachusetts, to the southwestern shores of Texas. It thrives in sea water of reduced salinity (8 to 28 parts per thousand). It manages to survive in water of the open ocean with a salinity up to 35 parts per thousand. The oyster can also get along in greatly diluted coastal waters near the mouths of rivers with a salinity as low as three parts per thousand.

The Pacific Coast grows two species of commercial oysters—the so-called Olympia, which is considerably smaller than the Eastern oyster, and another species imported from Japan in 1905 which flourishes in the waters along the shores of the state of Washington.

An oyster is the product of its environment. Its size, shape, firmness, and flavor are determined largely by the available diet, which varies from one cove to another. One gourmet will have a Peconic Bay oyster or nothing; another epicure will prefer a Blue Point grown on a nearby Long Island cove. Also from Long Island comes the Robbins Island Salt. Some consumers prefer the Lynnhaven from Virginia or the Chincoteague, also from the shores of that state, just below the Maryland line. Generally, the farther north you go the better the quality of the oysters, or so it is alleged—and denied.

Labor

Growing oysters is no cinch; it is hard work. For those who follow "oysterin" there is a lot of stooping work. Unlike gardening on the land, where you stoop only to the ground, in gardening the sea you stoop (so to speak) as far as forty feet under the surface.

In Maurice River Cove, the season begins in May when the young oysters are taken from the seed beds operated by the state, and replanted on grounds which are leased from the state. That operation lasts through June. In July, the discarded shells from the shucking houses are re-

turned to the natural seed beds. During August, the boats are reconditioned for the harvest, which begins in September and runs through the following April.

On board an oyster schooner, it takes a good, strong back to man the dredges, cull the oysters, and swing the shovels to clear the decks. In the cannery, shuckers stand on their feet all day long and work at a fast pace. In Maurice River Cove, shuckers average 15 to 18 gallons of oyster meats per 8-hour day, and the all-time champion is said to have had an "oyster in the air" constantly for a record production of 50 gallons in one day. We are in no position to prove or disprove the allegation.

Technology in the oyster industry has not changed very much over the years. In our day, oyster schooners are propelled by motor power instead of sails, dredges are operated by power winches instead of by hand, and unloading at the wharf may be facilitated with moving belts; nevertheless there is still a lot of handling and shoveling. Oyster literature tells about mechanical shuckers, but we saw only hand shucking.

When oyster schooners were under sail, unshucked oysters went directly to market by way of the Central Railroad of New Jersey and the Pennsylvania Railroad. In the fall of the year, at the height of the season, 30 to 40 carloads left daily, each carrying 100 sacks or barrels averaging a thousand oysters. Thus three to four million oysters left Maurice River Cove daily for markets in Philadelphia and New York. Old sea captains who survive that era tell tall tales of "big ketches." When their tales become too tall they are accused of using "too many teeth in their dredges." Before the railroad era, back in the sixties, oyster boats sailed up the Delaware to the Philadelphia market, which was a two-day journey.

FOOD VALUE OF THE OYSTER

From the point of view of nutrition, oysters are better balanced than possibly any other single food, according to one of the country's leading authorities on oysters (one who has no oysters for sale). Oyster meats contain copper, iron, and manganese, which are useful in preventing nutritional anemia. They also contain calcium and phosphorous necessary for bone growth, and iodine to make the thyroid gland function properly. Oysters contain most of the essential vitamins—A, B, C, D, and G. They also contain glycogen, a substance similar to starch and readily digestible. Their caloric value, however, is low.

Capital

Oyster runs into money. A second-hand schooner, together with the necessary oyster gear, costs \$20,000 to \$30,000. A boat license of \$3 per ton would cost \$100 to \$200 depending on the size of the vessel. Then the oyster grower must lay out big money for oyster grounds. The purchase price for good ground may run as high as \$400 an acre. Thus 200 acres would cost \$80,000, and an annual rental of \$1.50 an acre must be paid to the state of New Jersey. A 200-acre garden would require about 100,000 bushels of oyster seed which, at \$2 a bushel, would require \$200,000. Consequently, a 200-acre oyster garden would tie up approximately \$300,000 of capital.

Remember it takes three years before there are marketable oysters of good quality. Naturally, the best prices are commanded by the fattest and fittest oysters. Remember also that gardeners of the sea have hazards similar to gardeners of the land—some years oysters do not set well or grow fast or the ravages of enemies may be especially bad, so you cannot count on good revenue every year, even after the beds start bearing.

Bankers in the area frequently stake the oyster grower with money for working capital or with longer-term capital for major pieces of equipment. The risks that the banker takes in such loans are somewhat similar to the risks of agricultural loans. Consequently, oyster loans are usually confined to what might be called "oyster bankers."

The current season (1953-1954) thus far has been very good. Oysters grew well during the summer, the set was heavy, the harvest is large, and prices are good for the oyster grower.

What is an oyster worth?

An oyster is worth, of course, what you can get for it. That depends upon a number of things,

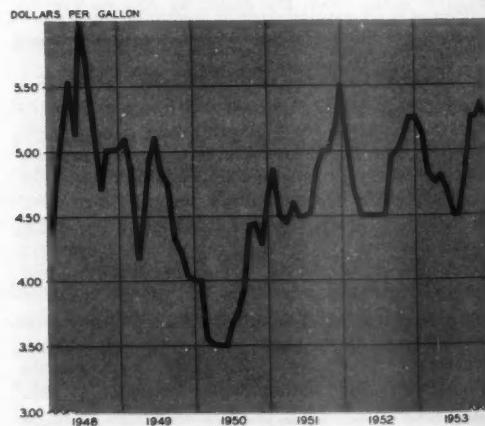
such as the grade, the type, and the place of sale. It is difficult to make price comparisons of oysters in the shell, which are usually measured by the bushel, because the New Jersey bushel differs in size from the Virginia bushel which differs from the Maryland bushel, and so on. The Georgia bushel is about two and a half times the size of the Massachusetts bushel, for example; hence it is better to stick to prices of oyster meats per gallon, using the standard United States gallon.

Before we talk prices, it should be pointed out that oysters come in four rather well-recognized grades, ranging from counts (the largest) through successively smaller grades called extra selects, selects, and standards. The latest price, as of November 1953, for wholesale standard grade oysters of the Norfolk area was \$5.25 a gallon. How prices ranged prior to that is shown in the accompanying chart.

For the period covered in the chart, the peak occurred in June 1948, and the lowest price in early 1950, when oysters sold at \$3.50 a gallon. Prices change because the supply coming on the

WHOLESALE OYSTER PRICES

Standard Grade, Norfolk Area



market changes, just like the supply of any garden crop.

How will you have your oysters?

Oysters are like olives—either you like them or you don't. If you like oysters, the chances are that you live within a few hundred miles of the seacoast, that you are in excess of 35 years of age, and that you don't remember when you ate your first oyster. If you don't like oysters, no doubt you live in or originate from the Midwest, somewhere between Harrisburg, Pennsylvania, and Mt. Whitney, California. Oysters are at their best when they are fresh. In days gone by they did not always penetrate to the interior of the country in best condition or if they did, the cooks may not have known how best to prepare them for the table.

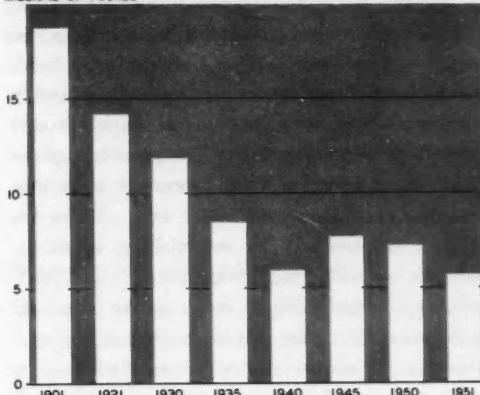
Oysters lend themselves to a great variety of appetizing dishes. In addition to the most common dishes, such as oyster cocktail, oysters on the half shell, fried oysters, oyster stew and oyster chowder, are special dishes like "Angels on Horseback," "Pigs-in-Blankets," broiled oysters, "Oysters Rockefeller," creamed oysters, oyster pie, scalloped oysters, oysters au gratin, and oyster stuffing for roast chicken or turkey. For ten cents paid to the Superintendent of Documents, the United States Government will supply a booklet of recipes entitled "How to Cook Oysters."

Oyster production is going down hill

The United States is the world's largest producer and consumer of oysters. Annual production in the order of 75 million pounds of oyster meats is, nevertheless, only about one-third of the production in the early years of the century. During the same period, production in the Maurice River Cove, which accounts for most of the New Jersey

NEW JERSEY OYSTER PRODUCTION — SELECTED YEARS

MILLIONS OF POUNDS



Source: Fish and Wildlife Service

output, likewise declined. If oysters are as good as we say they are, why is production going down hill?

The decline of oyster production, to be blunt and to the point, is another chapter in the mismanagement of a natural resource. State governments have been careless in enforcing laws designed to give oysters a fighting chance to maintain their population. Oyster gardeners have been careless in harvesting oyster clusters and in failing to return the small undersized ones to the grounds. Up-stream municipalities polluted the rivers with sewage and industrial concerns poisoned the waters with factory wastes. As a result of such malpractices, along with the destruction by natural enemies of the oyster, some oyster beds have been almost totally destroyed.

Legislation is not the answer, for there has been no end of legislation. As early as 1661, Massachusetts passed a law imposing a fine of five shillings per barrel of oysters to curb bad harvesting practices. Over the past century, Mary-

land is said to have passed more laws designed to protect her oyster beds than all other forms of legislation together; yet her oyster beds are producing less than one-fourth of their former yield.

At the present time, under the most favorable conditions the rate of natural propagation and growth of oyster population is too low to replace stock taken by commercial fishermen; nevertheless, the productivity of oyster beds can be increased substantially by establishing spawning reserves, enforcing cull laws, planting clutch, and helping oysters to fight their marine enemies.

Fortunately, oyster culture in New Jersey and Delaware is in a much better condition than in some other areas because growers in Delaware Bay are partly dependent on the existence of

public reefs from which to obtain seed for planting on privately owned beds. The state of New Jersey polices its seed beds and also maintains a laboratory with a corps of scientists who have made notable progress in helping oyster growers to fight the natural enemies of the oyster.

It is not to be assumed that the oyster industry has returned to robust good health, but conservation has progressed far beyond the stage of mere talk. An element in favor of oystering in Delaware Bay is the very real progress that has been made by Pennsylvania, New Jersey, Delaware, and the United States Government in cleaning up the Delaware River and its tributaries. With equal candor, it must also be said that very real progress still remains to be made, especially by some industries along the Delaware.

OFFICE-BUILDING SPACE IN PHILADELPHIA

One area of the economy which is frequently sensitive to changes in the over-all level of business activity is the market for space in metropolitan office buildings. In periods of readjustment in the past—the 1949 setback, for example—occupancy in city office buildings across the country decreased moderately with the slackening in economic activity. Philadelphia was no exception to the general rule, although the impact here was less noticeable than in some cities where substantial office-building programs had been in progress. Vacancy rates rose and some businesses moved into smaller, less pretentious quarters,

particularly into older buildings carrying lower-rental price tags.

Neither of these tendencies has appeared in Philadelphia thus far in the current period, when many businessmen anticipate some readjustment. On the contrary, occupancy in central-city office buildings is holding at a near-record high of almost 98 per cent. Moreover, local building managers and realtors tell us that preference in office-space leans heavily toward modernized, air-conditioned buildings, making the over-all occupancy figure somewhat of an understatement in the case of these higher-rental structures.

Demand and supply are well balanced

It is hard to tell during a boom if space is becoming excessive for the longer run; it usually does not become excessive until demand falls off. There are no indications that the demand for space in Philadelphia office buildings is about to fall off. As the accompanying chart shows, the supply-demand relationship here has continued in far better balance through the boom years since World War II than at any time in the preceding two decades; and those twenty years included a period of great economic activity as well as the most severe depression we have ever experienced. The over-all supply of space in office buildings has decreased since the end of the war; so has occupancy, and at about the same rate. Consequently, vacancy rates have fluctuated within a narrow range of from 1 to 4 per cent. In large office buildings, a 10 per cent figure

generally is regarded as about normal. The Building Owners' and Managers' Association of Philadelphia anticipates no significant change in this supply-demand relationship in the months ahead. As reported in the Association's latest *News Letter*, their Committee on Office Rentals was of the unanimous opinion that "there will be no difficulty in maintaining 95 per cent occupancy at current scheduled rates for at least one year."

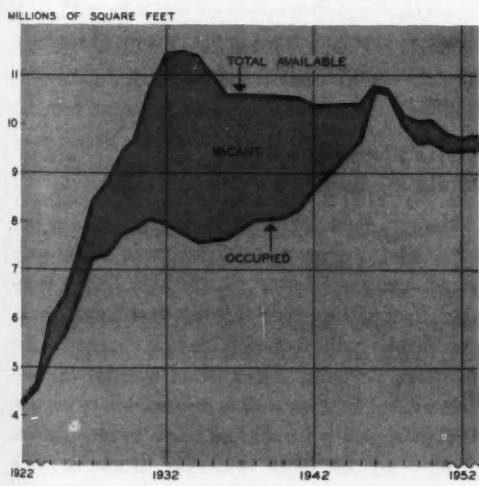
Rental rates are rising slowly

The trend of rentals in Philadelphia office buildings has been upward since 1938. This has been a gradual rise, however, starting from a depression low average of only \$2 per square foot prevailing from 1934 to 1938 to the present-day level of approximately \$3.50. Back in 1922, when the vacancy rate was only 1.5 per cent and we had less than one-half the floor space that is available currently, the going rate was just about what it is today. The process of increasing rentals from their depression-induced lows has been a very slow one, with most schedules advancing only upon the expiration of leases. Aside from the substantially higher rates implicit in air-conditioned and modernized buildings, rental trends appear likely to continue their slow upward trend, according to the Building Owners' and Managers' Association of this city.

We are far from over-built in office space

Unlike some other large cities, including New York, Washington, and Pittsburgh, Philadelphia has experienced no booms in office-building construction since the late 1920's; in fact, there have been very few major completions for the rental lists in the past twenty years. Quite a number of old buildings have been demolished, many of them to make way for civic improvements. Since

SPACE IN PHILADELPHIA OFFICE BUILDINGS



Source: Building Owners' and Managers' Association of Philadelphia.

the end of World War II, single companies have tended more and more to occupy entire buildings, thus further reducing the total space available to the market. These developments have left Philadelphia with an estimated 9.8 million square feet of office-building space, compared with 11.5 million for the rental lists two decades ago, when requirements were so much smaller.

Little additional construction is in early prospect

At the present time a 20-story office building is under construction that will add some 400,000 square feet of floor space to the rental lists of local building managers. This structure, the first to be started in Penn Center, will be air-conditioned throughout and equipped with automatic elevators, fluorescent lighting, and sound-proofed ceilings. A second skyscraper, also contemplated for Penn Center, but only in the early planning stage, would provide an equal amount of rental office space. When the new Bulletin Building (*The Evening Bulletin*) is finished some time in 1955, the publication's present offices will be placed on the market. To be sure, these additions will provide considerably more "elbow room" for those seeking office space and will sharpen the competition experienced in some office buildings even now. But, substantial as the additions are, their impact on the local market cannot compare with the influence exerted by the 6 million square feet of floor space built in the years immediately preceding the Great Depression.

Emphasis is on modernization

In the past several years, modernization of existing office buildings in Philadelphia has been on the increase. Property managers tell us that this trend is continuing. In some instances, the alterations have been extensive, involving large capital

outlays. More and more, modernization is coming to mean the inclusion of air-conditioning or at least air-cooling facilities. Very few of the city's older office buildings have been air-conditioned throughout, but the number is growing. A significant number, however, have installed—or at least have programmed—large units capable of providing "tailor-made weather" for a sizable block of space and sometimes an entire floor. Many, many more individual offices now have single-room air-conditioners. According to those in the office-building business, "the handwriting is on the wall" and within five years air-conditioned office space will be a "must" if building owners are to preserve their investments.

The impetus behind the modernization movement is the clients themselves, even though it means higher rentals. Air-conditioning, the latest in lighting equipment, redecorating, etc., usually add upwards of 80 cents a square foot to rental rates. But a growing number of employers, still facing a scarcity of clerical help, appear willing to accept the higher overhead that goes with more modern office quarters. In the interest of summer-time efficiency too, the added cost seems to them worth while.

Older buildings still are "holding their own"

Although older office buildings in this city are experiencing some competition from modernized structures, their lower rentals have had a leveling effect and occupancy has not suffered much. Nor have landlords had to reduce rates in order to retain tenants. The current over-all vacancy rate of around 2 per cent is low enough to suggest that there still is insufficient room to move about freely. In the more desirable locations, both modernized and old building office space remain definitely scarce. Then, too, there are those who

feel that now may not be the most appropriate time to make a change in view of a possible decline from present high levels of business activity.

A trend toward decentralization?

Opinions differ widely on the significance and possible future trend of an outward migration of business offices into the suburbs. In many respects central-city and suburban areas are competitive; but they are also interdependent. The suburbs provide many of the workers who staff Philadelphia's business enterprises and a large part of the customers of its stores. In return, central Philadelphia provides extensive facilities for business, education, and entertainment not available in suburban communities.

In the past several years, a number of large corporations have moved their executive and general offices into suburban areas around Philadelphia. Some building managers and realtors think the city wage tax has been a factor; also the city 4-mill mercantile tax. Another, and an increasingly important factor, has been the scarcity and expense of parking facilities in downtown areas. Others in the business attribute the movement to the more pleasant surroundings to be found on the city's perimeter. All, however, seem to agree that the prospect of lower rentals is not a major factor. Assessments in the counties adjoining Philadelphia have been rising steadily as the educational and service needs of the communities increased, so that today rate differentials, if they exist at all, have become quite narrow.

Those who attach little significance to the trend

point to the transportation problem created for present working forces and the added difficulty of meeting normal labor turnover or expanding clerical employment whenever it should become necessary. They also recognize the fact that some types of business stand to benefit from occupying space in outlying areas better adapted to their particular needs than a center-city office building. The premium-collection agencies of life insurance companies have been cited as one example of an activity that may be carried on efficiently in a decentralized location. Another case in point would be the business office visited daily by its salesmen, each with his own automobile.

Summary

Statistics, and the considered judgment of those in the business, clearly indicate that the office-building industry in Philadelphia has continued in a sound economic position over the past decade. The excess space created by the huge building program which terminated in the early thirties has long ago been absorbed. Rental schedules have been rising gradually to more realistic levels in response to the supply and demand situation. The pace of current modernization programs is indicative of a healthy desire for more efficient quarters in which to conduct business operations. Although there has been a tendency for some concerns to migrate toward suburban areas around Philadelphia, central-city locations for a majority of business enterprises continue to offer many advantages not to be found in outlying areas.

CURRENT TRENDS

For some time, businessmen have sensed a changed attitude on the part of customers. And anyone who follows the business press at all closely has read repeated statements that businessmen now determine to "get out and sell." This, of course, can mean many things; and exactly how it is translated into action will have an important bearing on the future level of business activity.

"Selling" in a buyer's market

Businessmen say customers are reluctant to buy the same goods on the same terms as before. They can try to overcome this situation in two ways—either persuade customers to change this attitude, or offer more value (by providing better products at the same price or the same products at a lower price). A survey conducted recently by *Business Week* magazine suggests what businessmen may have in mind. They plan, for one thing, bigger and better promotion and advertising. They also intend to bring out new products and to improve existing products. But most of them do not expect to cut prices.

In making his plans, the seller has the difficult job of guessing how much sales resistance the customer is going to offer. This is a problem which he has not had to any great extent in the past decade. A wrong guess will show up in dollars and cents. As businessmen are apt to put it, the period ahead is going to "separate the men from the boys."

It is quite likely, therefore, that sellers will feel their way cautiously in this buyer's market. First, they might try more intensive advertising and the like. This may be enough to persuade many

customers to resume buying the same goods on the same terms. Next, re-styling, more attractive packaging, and other improvements might turn the trick. Then substantially better values could be offered by providing better products at the same price. If customers still drag their heels, prices might be cut.

Businessmen are understandably reluctant to announce plans for price cuts, for this might only encourage customers to hold off longer. But they may find themselves forced to cut prices or else cut production—perhaps some of both. The extent of any business "readjustment" ahead may be influenced strongly by how aggressively businessmen act to give customers more for their money rather than cutting production.

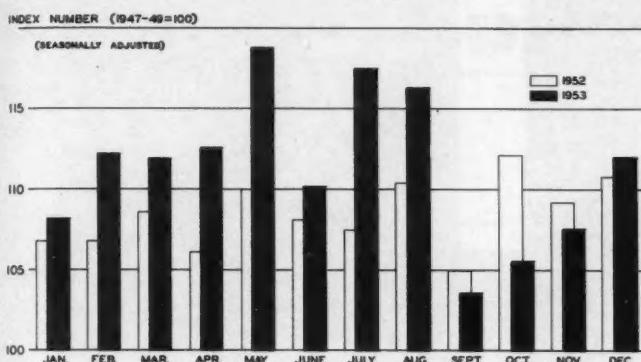
How's Christmas trade?

It's beginning to look as though the Christmas season may give retailers a better idea of what to do in this buyer's market—at least if department stores in this Federal Reserve District are any indication. As this is written, the controllers of stores here are optimistic—in a pessimistic way—about Christmas sales.

Through August, this was a good year for department stores. Sales for the year to that point were running 4 per cent ahead of a year ago, and in some individual months as much as 9 per cent ahead. But beginning with September and continuing through November, sales ran behind a year ago. This is clearly apparent in the chart, which shows seasonally adjusted indexes of District department store sales for each month this year and last.

It is understandable, therefore, that retailers

DEPARTMENT STORE SALES
Third Federal Reserve District



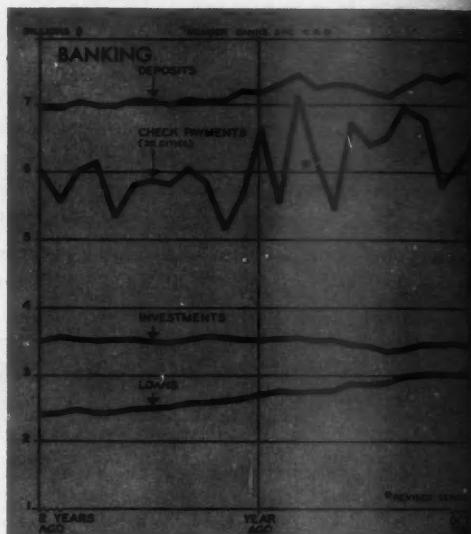
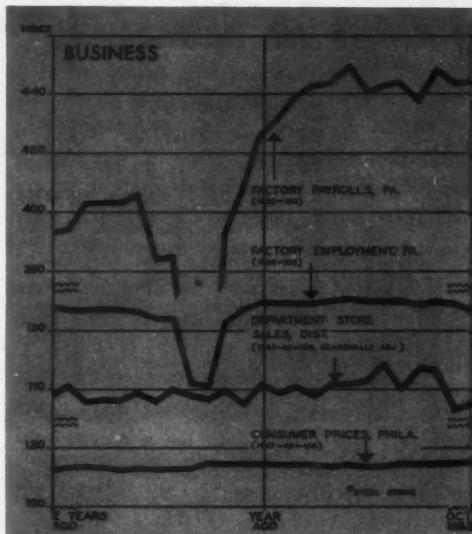
have approached the Christmas season with some misgivings. They believe a major factor holding back sales in the fall was the mild weather but, of course, they are never quite sure of these things. Despite efforts to get the Christmas season under way early, sales thus far have been disappointing. In recent years, people seem to be waiting longer to get their shopping done, perhaps because they know that when they do get around to it the goods will be there.

The department store controllers were strongly influenced by these facts when we telephoned them to get their views on Christmas trade. Based on their responses, we have made an estimate of December sales and have included it in the Chart. Sales this Christmas seem likely to equal sales last Christmas, and may be even better.

Department store controllers are apt to sound more pessimistic than the situation warrants. They naturally like to see sales go higher and higher. But last December was very good—the best on record. If sales are as good this Christmas, business for the year as a whole will still amount to 2 per cent more than last year. For the year as a whole, stores can't miss doing better in 1953 than 1952. Sales would have to be more than 11 per cent less this Christmas than last for the year as a whole to be worse.

*Additional copies of this issue are available
upon request to the Department of Research,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pa.*

FOR THE RECORD...



SUMMARY	Third Federal Reserve District				United States				LOCAL CHANGES	Factory*				Department Store				Check Payments		
	Per cent change				Per cent change					Employ-ment		Payrolls		Sales		Stocks				
	October 1953 from	10 mos. from	from year ago	ago	October 1953 from	10 mos. from	from year ago	ago		Per cent change October 1953 from										
mo. ago	year ago	ago	ago	mo. ago	year ago	ago	ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago			
OUTPUT																				
Manufacturing production	-1*	-2*	+ 6*	0	+ 1	+10														
Construction contracts \$	+3	+15	+12	-1	+ 8	+ 4														
Coal mining	+8	-24	-18	-6	+14	-4														
EMPLOYMENT AND INCOME																				
Factory employment	-1*	-1*	+ 7*	-1	0	+ 6														
Factory wage income	0*	+ 4*	+15*																
TRADE**																				
Department store sales	+2	- 5	+ 3	+3	- 4	+ 2														
Department store stocks	-1	+ 6	0	+ 6														
BANKING																				
(All member banks)																				
Deposits	0	+ 3	+ 4	0	+ 2	+ 3														
Loans	0	+11	+14	+1	+ 8	+11														
Investments	-2	- 3	- 3	0	- 1	- 1														
U.S. Govt. securities	-2	- 4	- 3	0	- 2	- 2														
Other	0	- 2	0	0	+ 1	+ 3														
Check payments	+68	- 28	+108	+1	0	+ 7														
PRICES																				
Wholesale	0†	+ 1†	+ 1†	-1	- 1	- 2														
Consumer				0	+ 1	+ 1														

*Pennsylvania †Philadelphia \$20 Cities

**Adjusted for seasonal variation. ‡Based on 3-month moving averages.

*Not restricted to corporate limits of cities but covers areas of one or more counties.

